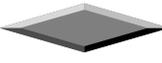


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION**

**MINUTES OF MEETING
Wednesday, March 19, 2014**



The Board of Administration met on Wednesday, March 19, 2014 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:50 a.m. and the following members were present:

Rob Feckner, President
Priya Mathur, Vice President
Michael Bilbrey
Terrence McGuire for John Chiang
Richard Costigan
George Diehr
Richard Gillihan
JJ Jelincic
Henry Jones
Ron Lind
Grant Boyken for Bill Lockyer
Bill Slaton

Board of Administration Members excused: none

AGENDA ITEM 3 – PRESIDENT'S REPORT

President Feckner expressed gratitude to Julie Chapman and Howard Schwartz for their service to CalPERS. President Feckner also welcomed Richard Gillihan to the Board.

President Feckner mentioned the CalPERS night at the Sacramento Kings game and what a successful event it was.

AGENDA ITEM 4 – EXECUTIVE REPORTS

a. Chief Executive Officer Report

Anne Stausboll welcomed Richard Gillihan to the Board and echoed Rob's sentiments about Julie Chapman and Howard Schwartz.

Anne reported on the following:

- The first reading of the proposed budget for 2014-2015 and the proposed business plan for 2014-2016.
- The annual health rate negotiations for 2015.
- The launch of the Spark, the APEX Award Program and the second round of the Leadership Mentoring Program.
- Pension Beliefs.
- CalPERS Commitment to Diversity and Inclusion Report.
- Emerging and Diverse Manager Forum on April 1st.

Anne recognized Dason McJimsey and Chris Riesen for their IT Leadership Awards from the California CIO academy.

b. Chief Investment Officer Report

Ted Eliopoulos, Interim Chief Investment Officer, reported on the portfolio:

The total fund has returned 8.9 percent as of January 31, 2014; it is currently trailing its benchmark by 52 basis points. The return on our public equity portfolio is 12.7 percent. Our three and five year returns are 9.1 percent and 11.6 percent. Ten-year return is 6.5 percent. Approximately 65 percent of the fund's assets are allocated to growth assets. All of our assets are currently within their policy ranges.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

- a. Approval of February 2014 Meeting Minutes
- b. Board Travel Approvals

Two additional travel requests were submitted for JJ Jelincic and Henry Jones. Both are attached to these minutes.

On **MOTION** by Henry Jones, **SECONDED** by Priya Mathur and **CARRIED**, the Board approved Action Consent Item 5a and 5b.

AGENDA ITEM 6 – CONSENT ITEMS

Information Consent Items:

- a. Board Meeting Calendar
- b. Draft Agenda for March 2014 Meeting
- c. General Counsel's Report

AGENDA ITEM 7 – COMMITTEE REPORTS AND ACTIONS

a. Investment Committee

Henry Jones, Chair, Investment Committee, presented the Committee Summary report to the Board. The Committee met on Monday, March 17, 2014.

Additional information may be found in the March 17, 2014 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for April 14, 2014 in Sacramento, California.

b. Pension and Health Benefits Committee

Priya Mathur, Chair, Pension and Health Benefits Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, March 18, 2014.

On **MOTION** by Committee and **CARRIED**, the Board approved changes to the Pension and Health Benefits Committee delegation as a first reading. The changes to the delegation will be presented to the Board for a final reading for approval in April.

On **MOTION** by Committee and **CARRIED**, the Board approved discussions and action on the Health Plan Regions for Contracting Agencies effective in 2015 to the April Pension and Health Committee meeting.

Additional information may be found in the March 18, 2014 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for April 15, 2014 in Sacramento, California.

c. Finance and Administration Committee

Bill Slaton, Chair, Finance and Administration Committee, presented the Committee Summary report to the Board. The Committee met on Wednesday, March 18, 2014.

On **MOTION** by Committee and **CARRIED**, the Board approved the following:

1. The June 30, 2013, Judges' Retirement System Actuarial Valuation Report along with the change in assumptions as described in the report and the corresponding transmittal letter to the Governor and Legislature.
2. Continue to encourage the Governor and Legislature to adopt an employer contribution schedule that includes advanced funding of the Judges' Retirement System.
3. Adopt the use of new mortality assumptions in all affected member calculations effective as follows;
 - a. For service credit purchases under the "present value" method, the use of the new mortality assumptions will apply to all applications received on or after March 20, 2014;
 - b. For retirement applications, any application with a retirement date on or after March 20, 2014, will be subject to new mortality assumptions.

On **MOTION** by Committee and **CARRIED**, the Board approved the following:

1. June 30, 2013 Judges' Retirement System II Actuarial Valuation Report along with the change in assumptions as outlined in the report, and the corresponding transmittal letter to the Governor and Legislature.
2. Adopt the employer contribution rate of 24.615 percent for the period July 1, 2014, through June 30, 2015, for the Judges' Retirement System II.
3. Adopt the use of new mortality assumptions and all affected member calculations effective as follows:
 - a. For service credit purchases under the present value method, the use of the new mortality assumptions will apply to all applications received on or after March 20th, 2014.
 - b. For retirement applications, any application with retirement date on or after March 20th, 2014, will be the subject to the new mortality assumptions.

On **MOTION** by Committee and **CARRIED**, with one recusal from Grant Boyken the Board approved the following:

1. Approve the June 30, 2013, Legislators' Retirement System Actuarial Valuation Report along with the change in assumptions as outlined in the report in the corresponding transmittal letter to the Governor and the Legislature.

2. Adopt the employer contribution rate of 42.257 percent of the payroll for the period July 1, 2014, through June 2015 for the Legislators' Retirement System.
3. Adopt the use of new mortality assumptions in all affected member calculations effective as follows:
 - a. For service credit purchases under the present value method, the use of the new mortality assumptions will apply to all application received on or after March 20, 2014.
 - b. For retirement applications, any application with retirement date on or after March 20, 2014, will be the subject to the new mortality assumptions.

On **MOTION** by Committee and **CARRIED**, the Board approved the Request for Proposal, RFP, for Legislative Representative Finalists Selection; the selection of the top three proposers for the federal principle legislative representative as finalists for interviews with the Board April 2014 and

The award of contracts to all three proposers for the Spring-Fed Pool, unless one such firm is awarded the contract for the principle representative, in which case approve the use of the contracts to the other two proposers for the Spring-Fed Pool.

On **MOTION** by Committee and **CARRIED**, the Board approved changes to the Finance and Administration Committee Delegation resolution as a first reading. The changes to the delegation will be presented to the Board for a final reading for approval in April.

On **MOTION** by Committee and **CARRIED**, the Board approved the following:

- California Public Employees' Retirement System Fiscal Year 2014/15 administrative budget as a first reading of \$1,865,105,000 and 2,727 positions; Enterprise Projects of \$27,908,000; Headquarters Building costs of \$32,632,000; Investment External Management Fees of \$1,016,500,000; and Third Party Administrator Fee of \$289,300,000.
- Transmittal of this agenda item to the Joint Legislative Budget Committee, Fiscal Committees of the Legislature, State Controller and Department of Finance in accordance with the Budget Act of 2013 and to the Legislative Analyst's Office Government Operation Agency and the Office of the Legislative Counsel.

Additional information may be found in the March 18, 2014 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for April 15, 2014 in Sacramento, California.

d. Performance, Compensation and Talent Management Committee

Michael Bilbrey, Chair, Performance, Compensation and Talent Management, presented the Committee Summary report to the Board. The Committee met on Wednesday, March 18, 2014.

On **MOTION** by Committee and **CARRIED**, the Board approved changes to the Performance, Compensation, and Talent Management Committee delegation as a first reading. The changes to the delegation will be presented to the Board for a final reading for approval in April.

Additional information may be found in the March 18, 2014 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for June 2014 in Sacramento, California.

e. Risk and Audit Committee

The Committee held an election for the Risk and Audit Committee Chair and Vice Chair. George Diehr was elected Chair and Mr. Ron Lind was elected Vice Chair of the Committee.

George Diehr, Chair, Risk and Audit Committee presented the Committee Summary report to the Board. The Committee met on March 20, 2014

On **MOTION** by Committee and **CARRIED**, the Board approved the Draft Management Letter as prepared by Macias Gini & O'Connell, LLP, for the year ended June 30, 2013.

On **MOTION** by Committee and **CARRIED**, the Board approved Third Party Valuation and Certification of the State and School Plans as of June 30, 2012 and accepted the independent actuary Cheiron's report as detailed in the agenda item.

Additional information may be found in the March 20, 2014 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Risk and Audit Committee is scheduled for June 16, 2014 in Sacramento, California.

f. Board Governance Committee

Priya Mathur, Vice Chair, Board Governance, presented the Committee Summary Report to the Board. The Committee met on Tuesday, March 19, 2014.

On **MOTION** by Committee and **CARRIED**, the Board approved and awarded a Letter of Engagement to the consulting firm Hewitt EnnisKnupp subject to successful negotiations and satisfaction of all requirements. Staff is directed to begin negotiations with Hewitt EnnisKnupp. If Staff in its discretion concludes that

negotiations are unsuccessful, staff will begin negotiations with Veaco Group, the next highest scoring finalist.

On **MOTION** by Committee and **CARRIED**, the Board approved to amend the Board Governance Policy to remove the provision requiring staff to certify each year in arrears that they are free of undue influence and replace it with a requirement that staff implement a policy regarding impartial decision making and immediate reporting of instances of undue influence as set forth in Attachment 1 of Agenda Item 7.

On **MOTION** by Committee and **CARRIED**, the Board approved the Board Education Policy as set forth in Attachment 1 of Agenda Item 8.

On **MOTION** by Committee and **CARRIED**, the Board approved changes to the Board Governance Committee delegation as a first reading. The changes to the delegation will be presented to the Board for a final reading for approval in April.

Additional information may be found in the March 19, 2014 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Board Governance Committee is scheduled for May 20, 2014 in Sacramento.

AGENDA ITEM 8 – PROPOSED DECISION OF ADMINISTRATION LAW JUDGES

On **MOTION** by Priya Mathur, **SECONDED** by JJ Jelincic and **CARRIED**, the Board approved acceptance of the Independent Board Counsel recommendations and adopted the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 8a through 8d in their entirety as the Board's own decisions.

AGENDA ITEM 9 – EXTERNAL AFFAIRS/STATE AND FEDERAL LEGISLATION

- a. Robert Glazier, Deputy Executive Officer, External Affairs, provided an update on Public Affairs, State Legislation, CalPERS sponsored bills, recent stakeholder meetings and our leadership videos.
- b. Tom Lussier, CalPERS Federal Liaison, provided updates on federal legislation, including Congress advancing bipartisan/bicameral legislation to permanently reform the Medicare information model.

AGENDA ITEM 10 – PUBLIC COMMENT

No requests for public comment.

There being nothing further to come before the Board of Administration, the Open Session meeting adjourned at 10:48 a.m.

The next Board of Administration meeting is scheduled for April 16, 2014 in Sacramento, California.

ANNE STAUSBOLL
Chief Executive Officer

Attachment Agenda Item 5b:

1. Jelincic Travel Request to CII Spring Conference in Washington, D.C. – May 6-10, 2014
2. Jones Travel Request to Toigo Foundation Event in New York, New York – June 11-14, 2014



Board of Administration
California Public Employees' Retirement System

Agenda Item 5b

March 19, 2014

ITEM NAME: Board Travel Approvals

PROGRAM: Board of Administration

ITEM TYPE: Action Consent

RECOMMENDATION

Approve travel requests as required under the Board of Administration's travel policy.

Over \$500/Out of State/Country Travel Requests Approved by Board President:

Board Member	Date	Destination	Purpose of Travel
JJ Jelincic	5/6/14 – 5/10/14	Washington, DC	CII Spring Conference
Henry Jones	6/11/14 – 6/14/14	New York, NY	Toigo Foundation Event

Rob Feckner, President
Board of Administration



Meeting Summary

March 19, 2014

The Investment Committee (Committee) met on March 17, 2014.

A memorial was held to celebrate the life of Joseph A. Dear and pay tribute to him, his life and his tremendous contributions to CalPERS and our members.

The Committee approved:

- The recommendation of the Committee Delegation, with amendments as proposed by staff and made by the Committee, for submission to the Board of Administration. The recommended changes enhance consistency and clarity, and reduce complexity.
- The initiation of the Infrastructure Board Investment Consultant request for proposal process.

The Committee received presentations on:

- The quarterly report of the Targeted Investment Programs and Diversity Initiatives.
- Progress on several work streams of the CalPERS Five-Year Plan for Emerging Managers including:
 - A benchmarking survey of peer emerging manager programs
 - An initiative to enhance investment proposal tracking and emerging manager communication
 - A review of the Private Equity Emerging Manager Program.
- The proposed implementation process for, and some of the implications of, the newly adopted strategic asset allocation for the Public Employees' Retirement Fund.

Highlights of what to expect at upcoming Committee meetings:

- In April, the Committee will conduct its initial review of proposed revisions to the Asset Allocation Strategy Policy.

The next regular meeting of the Committee is scheduled for April 14, 2014, in Sacramento, California.